

**Prison Rehabilitative Industries and  
Diversified Enterprises, Inc.**

**FINANCIAL STATEMENTS**

**December 31, 2020**



**CRI** CARR  
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**Prison Rehabilitative Industries and Diversified Enterprises, Inc.**  
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**December 31, 2020**

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# REPORT





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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Prison Rehabilitative Industries and Diversified Enterprises, Inc.  
Brandon, Florida

### **Opinion**

We have audited the accompanying financial statements of Prison Rehabilitative Industries and Diversified Enterprises, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prison Rehabilitative Industries and Diversified Enterprises, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Prison Rehabilitative Industries and Diversified Enterprises, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Prison Rehabilitative Industries and Diversified Enterprises, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute

assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Prison Rehabilitative Industries and Diversified Enterprises, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Prison Rehabilitative Industries and Diversified Enterprises, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Restriction on Use**

Our report is intended solely for the information and use of Prison Rehabilitative Industries and Diversified Enterprises, Inc. and the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Tallahassee, FL  
June 2, 2021



# FINANCIAL STATEMENTS

**Prison Rehabilitative Industries and Diversified Enterprises, Inc.**  
**Statement of Financial Position**

December 31, 2020

**Assets**

Current assets

Cash and cash equivalents	\$ 5,362,347
Investments in special purpose investment account	19,435,294
Accounts receivable, net	5,760,984
Inventories, net	11,608,878
Prison Industry Trust Fund (PITF)	181,137
Other current assets	779,623
Total current assets	43,128,263

Non-current assets

Property, agricultural assets and equipment, net	15,035,580
Total non-current assets	15,035,580

Total assets \$ 58,163,843

**Liabilities and Net Assets**

Current liabilities

Accounts payable	2,166,971
Accrued liabilities	1,622,235
Total current liabilities	3,789,206

Total liabilities 3,789,206

Net assets without donor restrictions

Undesignated	54,374,637
Total net assets without donor restrictions	54,374,637

Total liabilities and net assets \$ 58,163,843

*The accompanying notes are an integral part of these financial statements.*

**Prison Rehabilitative Industries and Diversified Enterprises, Inc.**  
**Statement of Activities**

*For the year ended December 31,*

**2020**

**CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS**

**Revenue, support and gains**

Revenue	\$ 53,453,631
Cost of sales	(47,808,543)
Gross margin	5,645,088

**Operating expenses**

Distribution	(2,287,403)
Selling	(2,194,094)
General and administrative	(5,520,308)
Board	(84,954)
Legal	(195,128)
Inmate Services	(368,374)
Victim restitution fund - Traditional	(48,498)
Environmental contingency	(29,459)
Gain or Loss on asset disposal	(82,020)
Interest expense	(25,342)
Total operating expenses	(10,835,580)

Change in net assets without donor restrictions due to operations	(5,190,492)
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**Other revenue (expense)**

PITF income	324,567
Interest	537,928
Total other revenue (expense)	862,495

Change in net assets without donor restrictions	(4,327,997)
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Net assets without donor restrictions at beginning of year	58,702,634
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Net assets without donor restrictions at end of year	\$ 54,374,637
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*The accompanying notes are an integral part of these financial statements.*

**Prison Rehabilitative Industries and Diversified Enterprises, Inc.**  
**Statement of Cash Flows**

<i>For the year ended December 31,</i>	<b>2020</b>
<hr/>	
<b>Cash flows from operating activities</b>	
Change in net assets without donor restrictions	\$ (4,327,997)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by (used in) operating activities:	
Depreciation and amortization	3,133,320
Loss on disposal of assets	82,020
Provision (recovery) for doubtful accounts	347,251
Changes in operating assets and liabilities	
Accounts receivable	313,385
Inventories	578,956
Prison Industry Trust Fund	54,219
Other current assets	260,178
Accounts payable	(2,448,953)
Accrued liabilities	211,696
	<hr/>
Net cash provided by (used in) operating activities	(1,795,925)
	<hr/>
<b>Cash flows from Investing activities</b>	
Purchase of property, agricultural assets and equipment	(1,721,455)
Proceeds from sales of investments	181,265
Purchase of investments	(492,781)
	<hr/>
Net cash provided by (used in) investing activities	(2,032,971)
	<hr/>
Net change in cash and cash equivalents	(3,828,896)
	<hr/>
Cash and cash equivalents at beginning of year	9,191,241
	<hr/>
Cash and cash equivalents at end of year	\$ 5,362,347
	<hr/> <hr/>

*The accompanying notes are an integral part of these financial statements.*

# **Prison Rehabilitative Industries and Diversified Enterprises, Inc.**

## **Notes to Financial Statements**

### **Note 1: DESCRIPTION OF THE ORGANIZATION**

The Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE) is a not-for-profit corporation authorized by the Florida Legislature to lease certain facilities and manage the correctional work programs of the Florida Department of Corrections (DC).

PRIDE was incorporated on December 14, 1981. The final transfer of the former correctional work programs was completed by July 1, 1984. The transfer included certain assets and liabilities of the DC correctional work program and was recorded by PRIDE at estimated fair value. In addition to these transfers, various lease agreements between PRIDE and DC provide for PRIDE to use certain land, buildings, and equipment in its operations.

PRIDE operates in a variety of industries including furniture manufacturing, agriculture, graphics and digital print technologies, sewn products, services and other general manufacturing. Through its operations in these industries, PRIDE teaches job skills, provides work training programs, and post release job placement to help reduce recommitment, inmate idleness, and provide incentive for good behavior in prison, through its Training and Mission Programs.

PRIDE receives no funding from the Florida Legislature and is totally supported by the earnings it generates from the sale of its products and services. A majority of PRIDE products are sold to state agencies and governmental entities or their contract vendors.

PRIDE has the following programs that are unique to its statutory mission:

- Inmate Re-Entry Services - Represents job training, vocational, and related training to assist inmates participating in PRIDE programs in acquiring job skills prior to release from incarceration.
- Transition Services - Represents post-release job placement support to ex-offenders who formerly participated in PRIDE programs, including both financial assistance and employment referral services.
- Victim Restitution Fund (traditional wages) - PRIDE voluntarily pays to DC ten cents for every dollar of inmate compensation earned by inmates that owe victim restitution.

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and in conformity with the financial reporting provisions of Section 946.516 of the Florida State Statutes (the Statute). The Statute requires PRIDE to prepare their financial statements in accordance with accounting principles established by the Financial Accounting Standards Board

## **Prison Rehabilitative Industries and Diversified Enterprises, Inc.**

### **Notes to Financial Statements**

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Basis of Accounting (continued)***

(FASB). FASB provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

##### ***Use of Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly liquid investments with a maturity when acquired of 90 days or less.

##### ***Accounts Receivable***

Accounts receivable result from sales of products to a variety of customers. Credit is extended to customers after their financial condition has been evaluated. Generally, collateral is not required.

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. PRIDE provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of members to meet their obligations.

Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is PRIDE's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

The allowance for doubtful accounts was approximately \$443,674 as of December 31, 2020.

##### ***Inventory***

Manufactured inventories are stated at the lower of cost or net realizable value and are accounted for under the first-in, first-out method. Crops in process are stated at the lower of cost or net realizable value and include all direct and indirect costs of growing crops. An obsolescence reserve is established for slow moving and potentially obsolete inventory based on review of inventory components and market conditions. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

## **Prison Rehabilitative Industries and Diversified Enterprises, Inc.**

### **Notes to Financial Statements**

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Property, Agricultural Assets, and Equipment***

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets in excess of one year are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation and amortization are computed using the straight-line method.

##### ***Net Assets***

PRIDE reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of PRIDE, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

As of December 31, 2020, PRIDE has no net assets with donor restrictions.

##### ***Revenue Recognition***

Revenue is accounted for under ASC Topic 606, Revenue from Contracts with Customers (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied.

## **Prison Rehabilitative Industries and Diversified Enterprises, Inc.**

### **Notes to Financial Statements**

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Revenue Recognition (continued)***

Revenue is recognized on sales in PRIDE's manufacturing and service operations when control of these products are transferred or services are provided to its customers, in an amount that reflects the consideration PRIDE expects to be entitled to in exchange for those products and services. PRIDE's principal terms of sale are FOB Shipping Point and PRIDE recognizes revenue for product sales upon shipment.

Revenue is recognized in PRIDE's agricultural operations, including citrus, sugarcane, cattle and timber products, as crops, cattle and cut timber are delivered and title passes to the customer in an amount that reflects the consideration PRIDE expects to be entitled to in exchange for those products and services. Certain of PRIDE's crops are harvested by customers. Revenue is recognized on these crops at the time of harvest. PRIDE initially recognizes revenue in an amount which is estimated based on contractual and market prices, if such market price falls within the range identified in the specific contract. Differences between the estimates and the final realization of revenues at the close of the harvesting season can result in either an increase or decrease to revenues. During the periods presented, no material adjustments were made to citrus or sugarcane revenues.

##### ***Shipping Costs***

PRIDE treats shipping and handling activities after the customer obtains control of the goods as a fulfillment cost and not as a promised good or service. As such, shipping costs are included in distribution expenses.

##### ***Functional Allocation of Expenses***

Directly identifiable expenses are charged to programs and supporting services. Expenses related to payroll, payroll taxes, and employee benefits are allocated based on actual percentages of time spent in each functional area. Other expenses are allocated across functional areas based on a fixed percentage.

##### ***Federal and State Income Taxes***

PRIDE is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) as an organization described in section 501(a)(1) and 170(b)(1)(A)(vi) and Chapter 617, Florida Statutes. Accordingly, no provision for income taxes has been made.

The Internal Revenue Service (IRS) has determined that PRIDE is not required to file a Form 990 because PRIDE is classified as an affiliate of a governmental unit under Section 1.6033-2(g)(6) of the *Income Tax Regulations*.

## **Prison Rehabilitative Industries and Diversified Enterprises, Inc.**

### **Notes to Financial Statements**

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Federal and State Income Taxes (continued)***

Contributions to PRIDE are tax deductible under Section 170 of the Code. PRIDE is also qualified to receive tax deductible bequests, transfers or gifts under Sections 2055, 2106, and 2522 of the Code.

##### ***Certain Other Taxes***

PRIDE collects various taxes from customers and remits those amounts to applicable taxing authorities. PRIDE's policy is to exclude those taxes from sales and cost of sales.

##### ***Recent Accounting Pronouncements***

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This change in accounting principal did not have a material impact on the financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about the leasing arrangements. The amendments are effective for nonpublic companies for fiscal years beginning after December 15, 2021 (PRIDE's December 31, 2022 financial statements). PRIDE is currently evaluating the impact that adopting this guidance will have on its financial statements.

##### ***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 2, 2021. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

#### **Note 3: LIQUIDITY AND AVAILABILITY OF RESOURCES**

PRIDE maintains its financial assets primarily in cash and the Special Purpose Investment Account to provide liquidity to ensure funds are available as PRIDE's expenditures come due. The following reflects PRIDE's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

**Prison Rehabilitative Industries and Diversified Enterprises, Inc.**  
**Notes to Financial Statements**

**Note 3: LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)**

The following represents PRIDE's financial assets at December 31:

<i>December 31,</i>	<b>2020</b>
Financial assets, at year-end:	
Cash and cash equivalents	\$ 5,362,347
Investments in SPIA	19,435,294
Accounts receivable, net	5,760,984
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 30,558,625</b>

PRIDE's board has authorized management to invest 75% of PRIDE's cash assets in the Special Purpose Investment Account. PRIDE maintains a minimum of 25% of total cash on hand for liquidity management needs.

**Note 4: INVESTMENTS**

The Florida State Treasury operates a special investment program for public entities. This program is authorized in Section 17.61(1), Florida Statutes, and is called the Special Purpose Investment Account (SPIA). Component units of the state, universities and colleges created by the Florida Constitution or Florida Statutes are eligible to invest in the SPIA.

Investments in the SPIA are valued at their estimated fair values in the accompanying statement of financial position.

SPIA funds are combined with state funds and are invested as part of the Treasury Investment Pool. The Treasury Investment Pool invests in a combination of short-term liquid instruments and intermediate term fixed income securities.

Earnings are posted monthly based on a pro-rata share of total Treasury earnings. Each SPIA participant is assessed a monthly administrative fee of 0.12% of their average daily balance.

**Prison Rehabilitative Industries and Diversified Enterprises, Inc.**  
**Notes to Financial Statements**

**Note 5: INVENTORIES**

Inventories consist of the following at December 31:

<i>December 31,</i>	<b>2020</b>
Raw materials and supplies	\$ 5,652,035
Work in process	283,783
Subassemblies	930,277
Finished goods	3,652,206
Crops in process	1,299,259
Total inventory	11,817,560
Reserve for inventory obsolescence and other	(208,682)
Inventory, net	\$ 11,608,878

**Note 6: PRISON INDUSTRIES TRUST FUND**

PRIDE is authorized by state law to hold the PIE Program Certificate for the State of Florida. PRIDE is authorized to manage and operate correctional work programs under Section 946.504 of the Florida Statutes and is authorized to deposit and withdraw funds from the Prison Industries Trust Fund (PITF).

Deposits to PITF are generated through a 50% withholding on all PIE inmate wages. The amount withheld and remitted to PITF and recognized as income was \$324,567 for the year ended December 31, 2020.

PITF consists of cash. Withdrawals from PITF are authorized by the PRIDE board of directors. The withdrawn funds are to be used by PRIDE for purposes of construction or renovation of its facilities, for the expansion or establishment of correctional work programs as described in Section 946.522 of the Florida Statutes, or for PIE programs as authorized under Section 946.523 of the Florida Statutes. As of December 31, 2020, PRIDE held \$181,137 in the PITF.

**Prison Rehabilitative Industries and Diversified Enterprises, Inc.**  
**Notes to Financial Statements**

**Note 7: PROPERTY, AGRICULTURAL ASSETS, AND EQUIPMENT**

Property, agricultural assets, and equipment consist of the following at December 31:

<i>December 31,</i>	<i>Estimated Useful Lives</i>	<b>2020</b>
Land	None	\$ 525,181
Building and building improvements	Up to 30 years	8,509,406
Leasehold improvements	Up to 20 years	8,061,491
Machinery and equipment	3-10 years	21,244,949
Livestock	5 years	1,117,819
Office equipment and furniture	3-10 years	2,107,959
Software	3-10 years	553,557
Vehicles	4-6 years	2,442,731
Grove development	20-30 years	2,980,470
Total property, agricultural assets and equipment		47,543,563
Less accumulated depreciation and amortization		(32,507,983)
Property, agricultural assets and equipment, net		<b>\$ 15,035,580</b>

During the year ended December 31, 2020, PRIDE sold or disposed of various property, agricultural assets and equipment and recognized losses of \$82,020.

Included in building and building improvements are three buildings with a net book value of approximately \$1.1 million that are being maintained by PRIDE but are not being used in current operations. PRIDE is maintaining the buildings and depreciating them with the intent to negotiate future usage with DC.

**Note 8: REVENUE**

PRIDE recognizes revenue at a point in time (IE date of sale) for its sale of products and services. As of December 31, 2020, there are no performance obligations to be satisfied which are related to its sales.

A summary of revenues disclosed on a disaggregated basis follows:

<i>For the year ended December 31,</i>	<b>2020</b>
Specialty marketing	\$ 17,568,773
Graphics and digital	7,885,448
Services	9,586,593
Sewn products	7,532,458
Land management	8,008,978
General manufacturing	2,871,381
Total revenue	<b>\$ 53,453,631</b>

**Prison Rehabilitative Industries and Diversified Enterprises, Inc.**  
**Notes to Financial Statements**

**Note 8: REVENUE (Continued)**

**Contract Balances**

A summary of contract balances follows:

<u>December 31,</u>	<u>2020</u>
<b>Contract assets</b>	
Accounts receivable from contracts, beginning of year	\$ 6,421,620
Accounts receivable from contracts, end of year	\$ 5,760,984

**Note 9: FUNCTIONAL EXPENSES**

A summary of functional expenses follows:

<u>For the year ended December 31,</u>	<u>Program Services</u>			<u>Supporting Services</u>		<u>Total 2020</u>
	<u>Training Programs</u>	<u>Mission Programs</u>	<u>Total Program Services</u>	<u>General and Administrative</u>		
Cost of goods sold - direct cost	\$ 25,385,649	\$ -	\$ 25,385,649	\$ -	\$ -	\$ 25,385,649
Personnel	12,539,731	242,450	12,782,181	3,229,027	-	16,011,208
Other	4,255,315	100,235	4,355,550	277,843	-	4,633,393
Depreciation and amortization	2,866,775	-	2,866,775	266,545	-	3,133,320
Repairs and maintenance	2,242,700	7,447	2,250,147	144,203	-	2,394,350
Tools and supplies	2,068,377	7,917	2,076,294	128,486	-	2,204,780
Utilities	1,446,030	2,187	1,448,217	167,620	-	1,615,837
Transportation and travel	1,377,634	2,705	1,380,339	50,343	-	1,430,682
Professional fees	96,721	-	96,721	910,034	-	1,006,755
Liability insurance	497,472	5,434	502,906	106,836	-	609,742
Equipment rental and other	106,901	-	106,901	63,008	-	169,909
Victim restitution	48,260	-	48,260	238	-	48,498
<b>Total</b>	<b>\$ 52,931,565</b>	<b>\$ 368,375</b>	<b>\$ 53,299,940</b>	<b>\$ 5,344,183</b>	<b>\$ -</b>	<b>\$ 58,644,123</b>

Functional expenses reconcile to the statement of activities as follows:

<u>Year ended December 31,</u>	<u>2020</u>
Cost of goods sold	\$ 47,808,543
Operating expenses	10,835,580
<b>Total expenses</b>	<b>\$ 58,644,123</b>

## Prison Rehabilitative Industries and Diversified Enterprises, Inc. Notes to Financial Statements

### Note 10: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

*Level 2:* Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are:
  - observable; or
- can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

*SPIA* - Participants contribute to the Treasury Pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although PRIDE believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

**Prison Rehabilitative Industries and Diversified Enterprises, Inc.**  
**Notes to Financial Statements**

**Note 10: FAIR VALUE MEASUREMENTS (Continued)**

Assets and liabilities measured at fair value on a recurring basis, are summarized below:

<b><i>December 31, 2020</i></b>	Level 1	Level 2	Level 3	Total
SPIA	\$ -	\$19,435,294	\$ -	\$19,435,294

***Changes in Fair Value Levels***

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended December 31, 2020, there were no significant transfers in or out of Levels 1, 2 or 3.

**Note 11: INMATE COMPENSATION PLANS**

***Traditional Wages***

Florida Statute 946, which authorizes PRIDE to manage the state's prison industries, requires an inmate compensation plan. Under the inmate compensation plan, PRIDE is required to make inmate compensation payments directly to DC. These payments are credited to the account of the inmate that performs the labor.

The cost of the traditional inmate compensation plan was \$754,247 for the year ended December 31, 2020. The expense is recorded as a component of cost of sales.

***Prison Industries Enhancement (PIE Wages)***

Pursuant to Federal Statute 18 USC 1761 (1979 Percy Amendment), inmates involved in the production of goods in interstate commerce are paid a prevailing wage as established through the Florida Agency for Workforce Innovation. Deductions taken from gross wages include 50% for the Prison Industries Trust Fund, 10% for the Crimes Compensation Fund, 10% for court-ordered payments (as applicable), and other court-ordered obligations (e.g. child support), and are not to exceed 80% of gross wages.

PRIDE is required to make inmate compensation payments directly to DC. These payments, net of applicable withholdings, are credited to the account of the inmate that performs the labor. The cost of the PIE inmate compensation plan was \$641,368 for the year ended December 31, 2020. The expense is recorded as a component of cost of sales.

**Prison Rehabilitative Industries and Diversified Enterprises, Inc.**  
**Notes to Financial Statements**

**Note 11: INMATE COMPENSATION PLANS (Continued)**

***Prison Industries Enhancement (PIE Wages) (continued)***

PRIDE's payments to DC for the Crimes Compensation Fund were \$64,139 for the year ended December 31, 2020. The expense is recorded as a component of cost of sales.

**Note 12: LEASES**

PRIDE leases certain office equipment accounted for as an operating lease. The lease expires in 2025.

Minimum lease payments under the non-cancellable operating lease is as follows:

*For the years ending December 31,*

2021	\$	231,024
2022		231,024
2023		231,024
2024		231,024
2025		173,268
Total	\$	1,097,364

In addition to the operating lease noted above, PRIDE also has several month-to-month and short-term operating lease agreements for machinery and equipment. Rental expense for these operating leases during the year ended December 31, 2020, was \$205,873.

PRIDE leases various land, buildings, and equipment from DC. Under terms of the leases, annual lease payments are 50% of PRIDE's operating income after adjustments and reserves for capital expenditures, working capital requirements, and provision for certain other payments. Such adjusted operating income for the year ended December 31, 2020, was less than zero and, accordingly, no annual lease payments were required.

The fair value of the leased property cannot be reasonably estimated since the property is located next to correctional facilities. Therefore, in-kind revenue and expense has not been recognized in the accompanying financial statements.

## Prison Rehabilitative Industries and Diversified Enterprises, Inc. Notes to Financial Statements

### Note 13: CONTINGENCIES

PRIDE is subject to several lawsuits, investigations, and claims arising out of the normal conduct of its business, including those relating to commercial transactions, product liability and safety and health matters. Management believes that any liability arising from such claims would be immaterial to the accompanying financial statements.

PRIDE is responsible for an environmental contingency at one of its manufacturing operations. Remediation activity began prior to June 30, 1999, and was completed in 2008. Monitoring is expected to continue throughout the next several years. The expense associated with the ongoing costs of monitoring was \$29,459 for the year ended December 31, 2020.

### Note 14: CONCENTRATIONS

PRIDE's operations are concentrated to operations that take place predominantly within Florida's state prisons. In addition, PRIDE's operations are heavily regulated by the state. The operations of PRIDE are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including but not limited to DC. Such administrative directives, rules and regulations are subject to change by an act of Congress, the Florida Legislature, or an administrative change mandated by DC. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

PRIDE sells a significant amount of its products to state agencies. Concentrations in the percentage of sales to the following state agencies are as follows for the year ended December 31:

*For the year ended December 31, 2020*

---

Florida Department of Corrections	14%
Florida Department of Highway Safety and Motor Vehicles	12%
Florida Department of Transportation	4%

All of PRIDE's cash accounts are with Truist Bank and are invested in an overnight sweep. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. Management considers the risk of loss remote.

PRIDE's investment in the SPIA is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although SPIA seeks to preserve principal, it is not a guaranteed investment.

## **Prison Rehabilitative Industries and Diversified Enterprises, Inc.**

### **Notes to Financial Statements**

#### **Note 15: RELATED PARTY TRANSACTIONS**

The Department of Corrections is a significant customer and facilities and labor provider of PRIDE.

Board members who agree to receive compensation are paid an honorarium for attending in-person or via conference call for all board meetings and/or committee meetings.

#### **Note 16: RISK MANAGEMENT PROGRAMS**

PRIDE is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; disease, damage and destruction of crops; directors' and officers' liability; auto liability; garage liability and employee dishonesty.

PRIDE minimizes these risks through insurance policies with specific limits of liability and deductibles for casualty exposures. PRIDE participates in the State of Florida Department of Financial Services property and casualty insurance program. This property coverage is on an actual cash value basis (replacement cost less accumulated depreciation) for all of its locations throughout the State of Florida. For general liability coverage, PRIDE depends on the *Florida Sovereign Immunity Act*, Section 768.28 of the Florida Statutes, to limit the potential tort liability to \$200,000 per person or \$300,000 per occurrence.

PRIDE's employee health insurance is a fully insured PPO program through Blue Cross Blue Shield of Florida: Blue Options. PRIDE's employee dental insurance is a self-insured program with maximum limits of \$2,500 per participant per year. PRIDE's employee basic life and accidental death and dismemberment insurance is a fully insured policy up to one times an employee's salary rounded up to the nearest thousand, to a maximum of \$50,000.

PRIDE's workers' compensation insurance program is through the State of Florida Department of Financial Services and short-term disability insurance is self-insured up to specified limits. PRIDE's long-term disability insurance is fully insured. PRIDE has insurance coverage in excess of the self-insured limits that provide both specific and aggregate coverage.

#### **Note 17: RETIREMENT PLANS**

##### ***401(k) Retirement Plan***

The Prison Rehabilitative Industries and Diversified Enterprises 401(k) Retirement Plan (401(k) Plan) was established in January 2001. The 401(k) Plan provides for elective contributions by qualifying employees up to the maximum limit allowed by tax regulations. A Safe Harbor provision is in effect for the 401(k) Plan allowing for immediate vesting of employer match.

**Prison Rehabilitative Industries and Diversified Enterprises, Inc.**  
**Notes to Financial Statements**

**Note 17: RETIREMENT PLANS (Continued)**

***401(k) Retirement Plan (continued)***

Beginning 2016, under the terms of the plan, PRIDE matches employee contributions based on the first 6% of employee compensation at a rate of one dollar for each dollar contributed. PRIDE, at its discretion, may make contributions in excess of these amounts. PRIDE's employer contributions to the plan during the year ended December 31, 2020, was \$442,169. There were no discretionary contributions to the 401(k) Plan for the year ended December 31, 2020.

**Note 18: UNCERTAINTIES**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The extent to which COVID-19 impacts the operations of PRIDE in the future will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of COVID-19, the actions taken to contain COVID-19 or treat its impact, and the impact of each of these items on the economies and financial markets in the United States. On May 1, 2020, the DC made the decision to hold back over 90% of the inmate workforce, which included most of the PRIDE operations. This was due to concerns of the spread of COVID-19 within the prison systems where PRIDE businesses are located. It is expected that over an unspecified period of time the inmate workforce will be slowly returned in phases. At this point the pandemic has impacted sales, earnings and cash flow and will continue until such time operations return to normal.



**REQUIRED COMMUNICATIONS**

## Required Communications

As discussed with the Board of Directors and management during our planning process, our audit plan represented an approach responsive to the assessment of risk for PRIDE. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Board of Directors, in accordance with auditing standards generally accepted in the United States of America, in order to express an opinion on the PRIDE's financial statements for the year ended December 31, 2020;
- Communicate directly with the Board of Directors and management regarding the results of our procedures;
- Address with the Board of Directors and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Board of Directors and management; and
- Other audit-related projects as they arise and upon request.

## Required Communications

We have audited the financial statements of PRIDE for the year ended December 31, 2020 and have issued our report thereon dated June 2, 2021. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<b>Auditors' responsibility under Generally Accepted Auditing Standards</b>	<p>As stated in our engagement letter dated <b>December 8, 2020</b>, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of PRIDE. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Client's responsibility</b></p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of activities, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
<p><b>Planned scope and timing of the audit</b></p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p><b>Management judgments and accounting estimates</b>  <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>
<p><b>Potential effect on the financial statements of any significant risks and exposures</b>  <i>Major risks and exposures facing PRIDE and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles</b></p> <ul style="list-style-type: none"> <li>• <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i></li> <li>• <i>The auditor should also discuss the auditors' judgment about the quality, not just the acceptability, of PRIDE's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by PRIDE in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i></li> <li>• <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i></li> </ul>	<p>See Note 2 of the Notes to Financial Statements and the section entitled "Accounting Policies, Judgments and Sensitive Estimates &amp; CRI Comments on Quality."</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Significant difficulties encountered in the audit</b>  <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	None.
<p><b>Disagreements with management</b>  <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	None.
<p><b>Other findings or issues</b>  <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	None.
<p><b>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</b>  <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None.
<p><b>Corrected and uncorrected misstatements</b>  <i>All significant audit adjustments arising from the audit, whether or not recorded by PRIDE, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	Please see the following section titled "Summary of Audit Adjustments."

## Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Major issues discussed with management prior to retention</b></p> <p><i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	None.
<p><b>Consultations with other accountants</b></p> <p><i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	None.
<p><b>Written representations</b></p> <p><i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.
<p><b>Internal control deficiencies</b></p> <p><i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditors' attention during the audit.</i></p>	See "Internal Control Findings" section.
<p><b>Fraud and illegal acts</b></p> <p><i>Fraud involving PRIDE's management, or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving PRIDE's management and any other illegal acts, unless clearly inconsequential.</i></p>	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
<p><b>Other information in documents containing audited financial statements</b></p> <p><i>The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

## Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of PRIDE's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Board may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATES	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Expenses	PRIDE allocates expenses between program and supporting services as required by the AICPA Audit & Accounting Guide for Not-for-Profit Entities.	X	The allocation between program and supporting services is based on a combination of direct and indirect allocation of expenses. Indirect expenses are allocated between program and supporting services based on employee time records.	PRIDE's policies are in accordance with all applicable accounting guidelines.
Capital Assets	Capital assets are depreciated or amortized based on PRIDE's estimate of their useful lives.	X	PRIDE uses useful lives as suggested by applicable standards and guides for equipment, property and other capital assets.	PRIDE's policies are in accordance with all applicable accounting guidelines.

## Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by PRIDE and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by PRIDE or passed (uncorrected).

Adjustments recorded by PRIDE are included in the attached schedule. No passed adjustments were identified.

### QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of PRIDE's operating environment that has been identified as playing a significant role in PRIDE's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.

## Summary of Audit Adjustments (Continued)

Adjusting entries related to the year ended December 31, 2020:

Client: **45-08469 - PRIDE Enterprises**  
 Engagement: **Audit 2020 - PRIDE Enterprises**  
 Period Ending: **12/31/2020**  
 Trial Balance: **TB**  
 Workpaper: **3200 - Adjusting Journal Entries Report**

Account	Description	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>			
Client provided entry to expense management agreement			
6800	Licenses, Royalties, & Fees - G&A	27,000.00	
1741	Software		27,000.00
<b>Total</b>		<b><u>27,000.00</u></b>	<b><u>27,000.00</u></b>

## Management Representation Letter

6/2/2021

Carr, Riggs & Ingram, LLC  
2633 Centennial Boulevard – Suite 200  
Tallahassee, FL 32308

This representation letter is provided in connection with your audit of the financial statements of Prison Rehabilitative Industries and Diversified Enterprises, Inc., which comprise the statements of financial position as of 12/31/2020, and the related statements of activities, and cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of 6/2/2021, the following representations made to you during your audit.

### Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated 12/8/2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is included in the required communications issued as part of the audit.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

### Information Provided

- 12) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.

## Management Representation Letter

Page 2

- c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
  - 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - 15) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
    - a) Management,
    - b) Employees who have significant roles in internal control, or
    - c) Others where the fraud could have a material effect on the financial statements.
  - 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
  - 17) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
  - 18) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
  - 19) We have disclosed to you the names of all of the Organization's related parties and all the related-party relationships and transactions, including any side agreements.
  - 20) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
  - 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
  - 22) Prison Rehabilitative Industries and Diversified Enterprises, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
  - 23) In regard to the financial statement and tax return preparation services performed by you, we have—
    - Assumed all management responsibilities.
    - Designated Pete Radanovich, CFO who has suitable skill, knowledge, or experience to oversee the services.
    - Evaluated the adequacy and results of the services performed.
    - Accepted responsibility for the results of the services.

Signature: Jack Edgemon 06/02/2021

Title: President

Signature: Petar J Radanovich 06/02/2021

Title: CFO



**INTERNAL CONTROL  
RECOMMENDATIONS**

## Internal Control Findings

The Board of Directors and Management of  
PRIDE Enterprises, Inc.  
Brandon, Florida

In planning and performing our audit of the financial statements of PRIDE Enterprises, Inc. ("PRIDE") as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered PRIDE's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PRIDE's internal control. Accordingly, we do not express an opinion on the effectiveness of PRIDE's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management and Board of Directors, and is not intended to be, and should not be, used by anyone other than these specified parties.



CARR, RIGGS & INGRAM, LLC

Tallahassee, Florida  
June 2, 202